



Date: January 2, 2024

To: Sheryl M.M. Long, City Manager

From: Lauren Sundararajan, CFE, Internal Audit Manager *L S*

Copies to: Internal Audit Committee
William Weber, Assistant City Manager
Frank C. McKinley, Fire Chief

Subject: **EMS Billing Audit**

Attached is the EMS Billing audit report. The primary objective of this performance audit was to assess the efficiency and effectiveness of internal controls and practices applicable to the EMS billing and collection processes.

We would like to thank the management and staff of the Cincinnati Fire Department (CFD) for their assistance and cooperation during this audit.

If you need any further information, please contact me.

Attachment

EMS Billing Audit

January 2024



Lauren Sundararajan, CFE
Internal Audit Manager

Ann Herzner
Senior Internal Auditor

Table of Contents

Executive Summary	1
I. Introduction	2
Background	
Audit Selection	
Audit Objective	
Audit Scope and Methodology	
Statement of Auditing Standards	
Commendations	
II. Audit Findings and Recommendations	4
III. Conclusion	10
IV. Cincinnati Fire Department Response	11

Executive Summary

Internal Audit (IA) conducted a performance audit of the Cincinnati Fire Department's (CFD's) Emergency Medical Services (EMS) billing operations. The primary objective of this audit was to assess the efficiency and effectiveness of internal controls and practices applicable to the EMS billing and collection processes.

CFD contracts with Change Healthcare Technology Enabled Services, LLC (Change) to manage EMS billing. Change is responsible for billing insurance companies and patients, resolving medical billing issues, receipting payments, referring delinquent accounts to collections, and providing financial reports.

The audit revealed several opportunities for improvement of the EMS billing operations. For example, IA found management review and contract oversight needs improvement. CFD is not measuring Change's performance to agreeable standards; requesting supporting documentation to verify the financial data provided; ensuring all required reports are submitted in a timely manner; and all transports are billed within 72 hours. Additional contract terms that are not adhered to include, but not limited to, CFD obtaining a copy of Change's manual of operations, annual reports including the annual Statement on Auditing Standard (SAS) No. 70 and company document and record retention policies.

Additionally, IA found the billing rates have not been reassessed by the City since 2013. The billing rates associated with transports are critical to the fiscal health of the department. CFD should ensure the rates are competitive and recover as much of the costs allowed due to insurance adjustments and/or reimbursement caps associated with health care providers.

Further, IA found the performance of the collection agency is not measured or evaluated, and the City Treasurer is not involved with the write-off process. To have an effective collection process, management should establish and operate monitoring activities; however, CFD has failed to monitor the collection process to where department goals may not be achieved. Per contract terms and City policy, the City Treasurer should be involved with the write-off process for delinquent EMS accounts to ensure efficient operations and compliance with City guidelines.

In order to improve the internal controls over EMS billing, IA recommends the following: provide additional management review and oversight to ensure contract terms are enforced, reassess the billing rates, monitor the collection efforts, and ensure the City Treasurer is involved with the write-off process. Implementing these recommendations will ensure EMS billing is properly managed and in compliance with contractual terms and City policy.

I. Introduction

Background

The Cincinnati Fire Department charges for ambulance services if a patient is transported. There are two components to the ambulance bill: the transport itself and the mileage. The amount charged to the patient depends upon the residency status and the level of care provided. The level of care charge may include Basic Life Services (BLS) or Advance Life Services (ALS 1 or ALS 2). ALS 2 is a higher level of care than an ALS 1.¹

The billing rates are shown in Table 1 below, effective since January 1, 2014.

	RESIDENT	NON-RESIDENT
ALS 1	\$1551.36	\$1758.41
ALS 2	\$1551.36	\$1758.41
BLS	\$775.68	\$982.00
MILEAGE	\$12.41 PER MILE	\$12.41 PER MILE

Table 1: Current Rates for EMS Billing

CFD contracts with Change Healthcare Technology Enabled Services, LLC to manage EMS billing. Change uses an interface between CFD and the local hospitals to access the patient data. Change is responsible for billing insurance companies and patients, resolving medical billing issues, receipting payments, referring delinquent accounts to collections, and providing financial reports.² CFD pays Change \$700K per year for their services in addition to a 6.8% monthly fee for all net revenue collected from the previous month.³

When insurance information is provided, the insurance company is billed prior to the patient. However, CFD has preferred provider agreements with certain health care providers and honors the “disallowed” amount. That means a 100% collection rate relative to the billing amount is unattainable. For all other insurers, Change bills the patient the remaining balance after their insurance has paid. The City receives payments for EMS transports from individuals and insurance providers.⁴

Table 2 below reflects the total amount of medical transports billed, written off due to disallowed amount and insurance adjustments, amount collected, and referred to collections for fiscal years (FY) 2021 - 2023.⁵

	AMOUNT BILLED	AMOUNT WRITTEN OFF DUE TO DISALLOWED AMOUNT & INSURANCE ADJUSTMENTS	AMOUNT COLLECTED	AMOUNT REFERRED TO COLLECTIONS
FY 2021	\$47,948,350	\$32,599,195	\$8,894,290	\$5,787,633
FY 2022	\$52,204,941	\$35,075,084	\$9,528,112	\$3,487,894
FY 2023	\$51,936,429	\$33,205,447	\$9,643,280	\$8,617,239

Table 2: Billing Efforts Conducted by Change

¹ Administrative Specialist - EMS Billing SOP, p. 3.

² Ibid.

³ Section 3 (a) and Exhibit B.

⁴ Administrative Specialist – EMS Billing SOP, p. 3 – 5.

⁵ Data provided by CFD.

Audit Selection

IA conducted this audit in accordance with the Audit Work Plan.

Audit Objective

The primary objective of this performance audit was to assess the efficiency and effectiveness of internal controls and practices applicable to the EMS billing and collection processes.

Audit Scope and Methodology

In order to achieve the audit objective, IA interviewed appropriate City staff, reviewed financial reports and contract terms, and obtained copies of invoices, bank statements, and cash receipt schedules. Additionally, IA obtained access to ESO software to view emergency management technician (EMT) run reports. Records reviewed include data from FY 2021 through FY 2024.

The goal of IA is to improve the efficiency and effectiveness of government operations by ensuring internal controls are in place. In staying true to this goal, IA focused primarily on the internal control structure within CFD.

Statement of Auditing Standards

As required by the Cincinnati Administrative Code Article II §15, this audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS), except for standard 5.60 pertaining to external peer review requirements. This exception did not have a material effect on the audit.

IA continues to conduct internal quality reviews to assure conformance with applicable GAGAS. IA performed the fieldwork between July 2023 and November 2023.

Commendations

IA commends the staff of the Cincinnati Fire Department for their cooperation throughout the audit.

II. Audit Findings and Recommendations

Management review and contract oversight needs improvement.

CFD has a contract with Change Healthcare Technology Enabled Services, LLC to manage EMS billing. To protect the City from fraud, waste, and abuse, CFD is responsible for monitoring the services performed by the contractor and seeking verification of actions through documented reports. Based upon staff interviews, IA found management review and contract oversight needs improvement to ensure contract compliance.

For example, CFD is not performing the following oversight responsibilities: measuring Change's performance to agreeable standards; requesting supporting documentation to verify the financial data provided; ensuring all required reports are submitted in a timely manner; and all transports are billed within 72 hours. Additional contract terms that are not adhered to include, but not limited to, CFD obtaining a copy of Change's manual of operations, annual reports including the annual Statement on Auditing Standard (SAS) No. 70 and company document and record retention policies.

Collectively, these terms should be continuously enforced to ensure the contractor is compliant with contract terms while CFD provides sufficient oversight.

Recommendation1: Provide additional management review and oversight to ensure contract terms are enforced.

Department Response: Agree. Cincinnati Fire Department's Division of Finance and Division of Fire Operations agree that prior to hiring the new CFO, CFD management did not maintain oversight of the contract terms. However, under the leadership of the new CFO, the Division of Finance has been empowered by the new Fire Chief to oversee all CFD contracts. The new CFO has begun overseeing the contract terms and has been working with Change Healthcare/Optum's liaison to ensure reports, backup documentation, and all transport information are submitted in accordance with the contract terms. Monthly meetings have also been re-established with Change Healthcare/Optum.

The billing rates have not been reassessed by the City since 2013.

The billing rates associated with transports are critical to the fiscal health of the department. CFD should ensure the rates are competitive and recover as much of the costs allowed due to insurance adjustments and/or reimbursement caps associated with health care providers. IA found the billing rates have not been reassessed by the City since 2013.

Cincinnati City Council enacted fee increases in 2011 by General Fund Appropriation Ordinance #463-2010.⁶ Effective January 1, 2014, the rates were increased to their current rate, as previously discussed in the background of the report. However, Council ordinance 80-1991 authorizes the City Manager to adjust these fees on an annual basis.⁷

⁶ Sections 82 - 83, page 34 specifically increased the transport fees.

⁷ Section 1, page 1.

Although the current rates were some of the highest in the region at the time of their implementation, without properly reassessing the rates the department cannot determine if all applicable costs associated with transports are covered.

Recommendation 2: Reassess the billing rates with the Budget Office to ensure the fees are appropriate.

Department Response: Agree/Completed. Cincinnati Fire Department's Division of Finance, under the new CFO, began reviewing the Department's fee schedules in June 2023, prior to the beginning of this audit, and has worked with the Command Staff, Fire Leadership, and Change Healthcare to assess EMS billing rate adjustments, as well as our other service fees. We are scheduled to provide a comprehensive fee schedule to the City Manager's Office and Budget & Evaluation for the FY25 budget cycle. CFD will continue to assess billing rates and service fees annually, submitting any changes to the City Manager and/or Council.

The cost of non-transports is not calculated and analyzed.

Approximately 36% of all runs taking place within the City are considered non-transports.⁸ A non-transport is defined as a patient who has been assessed and treated by either a first responder⁹ (Engine or Ladder Company) or a medic unit¹⁰ and was not transported. There is no charge to the patient when a non-transport occurs. As such, IA found the cost of non-transports is not calculated and analyzed by CFD.

Although the variety of services performed will vary based upon the nature of the call, calculating the financial impact of non-transports is necessary because department personnel and resources are utilized, which affects the department's budget. The expenses incurred may include labor, mileage, health equipment, medications, and/or medical supplies, all used to treat the patient.

Recommendation 3: Calculate and analyze the cost of non-transports when reassessing the billing rates.

Department Response: Agree. Under the new CFO, non-transports will be calculated and analyzed as part of our annual reassessment of EMS billing rates.

EMTs are not closing out their run reports in a timely manner.

Closing out run reports within a 24-hour period is vital for initiating the billing process, complying with Ohio Revised Code (ORC) 4766-2-05 (D)(3), and department policy.¹¹ IA reviewed 20 run reports logged for January 2023 and found two (10%) were still open due to EMT error. Ensuring all run reports are closed prior to the end of the shift is necessary so that the billing process is not delayed, and pertinent information is not withheld.

⁸ Based on the data pulled from the ESO, with a date range of 1/1/2023 – 11/15/2023.

⁹ First responders are either licensed EMT's or Paramedics.

¹⁰ A medic unit is composed of one EMT and one Paramedic.

¹¹ ORC 4766-2-05(D)(3) states "a copy of the record for each patient shall be provided to the receiving facility, which includes all the information required, no later than twenty-four hours from time of dispatch."

Recommendation 4: CFD management should provide additional oversight over the completion of EMT reports.

Department Response: Agree. EMS Operations agrees with additional oversight on completion of reports. The goal is to have an ESO administrator handle this assignment related to report closure, but in the meantime have assigned limited-duty members this task. We now check for open reports daily and immediately contact when this hasn't happened. The Operations Division recommends assigning an ESO project manager, similar in concept to the CQI manager, to oversee the ESO program implementation and management. This is a program that is touched daily, hundreds of times, and is embedded in the work that Operations personnel do. It needs a full-time manager.

EMS payments received by the Cincinnati Health Department (CHD) are not being receipted to CFD in a timely manner.

When payments are received electronically, payees are identified by their Employee Identification Number (EIN). EIN is a standard way to identify employers and is required on all HIPPA electronic transactions.¹² The City has one EIN, which is used by all departments. However, both CFD and CHD work with the same insurance providers and when payments are received, they may inadvertently get credited (or receipted) to the wrong department.

For example, when IA reviewed the monthly invoice files for August of 2023, there were copies of two separate email exchanges between CFD and Change. Five separate payments made to the City that occurred between 11/2021 and 7/2023, totaling more than \$13K, were receipted to the CHD. Change brought this error to CFD's attention, and the situation was rectified with CHD.

Recommendation 5: CFD should continue to monitor the revenue being deposited to ensure both departments receive their payments promptly.

Department Response: Agree. The Division of Finance agrees that revenue must be monitored more closely so that any revenue belonging to the Fire Department is reclaimed in a timely manner from other departments.

The performance of the collection agency is not measured or evaluated.

Per contract terms, Change refers delinquent accounts to the City's designated collection agency.¹³ To have an effective collection management system, monitoring the collection process and evaluating collection agency performance is essential. Reviewing performance assists management with determining whether the department is maximizing revenue recovery. IA found the performance of the collection agency is not measured or evaluated. Without proper measurement controls or performance indicators in place, CFD is unable to determine if the agency is meeting the needs of the department.

Recommendation 6: Monitor the collection efforts.

¹² <https://www.cms.gov/priorities/key-initiatives/burden-reduction/administrative-simplification/unique-identifiers/ein>

¹³ Section C.

Department Response: Agree. CFD Command Staff made changes to how collections were handled in the past. Now that the CFO is empowered to handle the department's financial operations, collections will be evaluated and the use of additional collection agencies, as described in the Change Healthcare contract, will be re-evaluated. We have also established internal procedures for involving the City Treasurer in the write-off process by submitting the write-offs report to the Treasurer.

The City Treasurer is not involved with the write-off process for EMS accounts.

The contract CFD maintains with Change requires the City's involvement with the write-off process.¹⁴ Through interviews with the Treasurer, IA found they are not receiving or approving accounts to be written off. This practice could result in improper write-offs going undetected.

Administrative Regulation (AR) 73 states:

When an account that has been assigned to a private collection agency and/or the City Solicitor's Office has had no payment activity for two years from the date of the original invoice, the account will be considered as uncollectible and will be written-off by the City Treasurer. However, these unpaid accounts will remain with the private collection agency and/or City Solicitor's Office for continued collection actions. The City Treasurer will review the aging schedule regularly and write-off the appropriate accounts on a monthly basis.¹⁵

Recommendation 7: Ensure the City Treasurer is involved with the write-off process for EMS accounts.

Department Response: Agree. Fire's Division of Finance has established internal procedures for involving the City Treasurer in the write-off process by submitting the write-offs report from Change/Optum to the Treasurer.

Policies and procedures need to be established and/or updated.

Policies and procedures are a key component of an internal control structure. Policies are designed to provide direction to staff on how to properly manage a particular function. Procedures provide employees with instructions on how to carry out the day-to-day activities. IA found multiple policies and procedures need to be established and/or updated within CFD.

For example, CFD Finance has not established written policies and procedures for staff. Although IA was informed that CFD Finance is currently compiling the information from employees, it is imperative this task gets completed to ensure staff accountability and efficient fiscal operations.

Another example is the standard operating procedural (SOP) manual used by the administrative specialist position. Although the manual was created nearly a year and a half ago, some of the

¹⁴ Ibid.

¹⁵ AR No. 73 – Accounts Receivable Collection Procedures, p. 3.

content has changed, including key contacts that work for Change, the number of collection agencies used by the department, software systems, and office procedures. Updating the SOP will help management keep abreast of the procedural changes and workflow operations of EMS billing.

Additionally, IA found the EMT Operations Manual needs updating. IA was informed that EMTs are required to complete their reports within 24 hours per Ohio Revised Code (ORC) 4766-2-05. IA reviewed the EMT Operations Manual and could not locate this specific policy. Further, IA was informed that CFD conducts “courtesy transports” which is defined as someone who does not get charged for an ambulance ride. The example provided to IA was someone operating a motorized wheelchair that breaks down, and needs a ride home. When this situation occurs, it is documented in a fire report and not written up as a medical transport.¹⁶ Collectively, these two policies should be documented and incorporated into the EMT Operations Manual to ensure employee accountability and consistent EMS services.

Recommendation 8: Create a policy and a procedural manual for CFD Finance employees.

Department Response: Agree/Completed. Under the leadership of the new CFO, all financial processes have established, written policies and procedures, as of September 2023, in accordance with best accounting and administrative practices.

Recommendation 9: Update the SOPs for the administrative specialist position and the operations manual used by the EMTs.

Department Response: Agree/Completed. Under the leadership of the new CFO, the SOPs for the EMS Billing Coordinator (administrative specialist) were updated September 2023 with the current processes clearly documented.

There is no succession planning for the positions that provide essential oversight of the EMS billing process.

Succession planning is the process of identifying internal personnel with the ability to fulfill key roles within an organization and fostering the development of these individuals. As personnel turn over, a succession plan facilitates business continuity. IA was informed there is no succession plan for key positions within CFD. As a result, sudden personnel changes could significantly compromise internal control systems.

Succession planning for two positions has not been performed nor has a clear delineation of the responsibilities been shared with department personnel. For example, the administrative specialist position is responsible for managing the daily functions of EMS operations and retains a significant amount of institutional knowledge. IA also found that the position of CFO has a significant amount of knowledge and responsibilities associated with managing the department budget, including the oversight of EMS operations.

Recommendation 10: Implement an adequate succession plan for all CFD personnel to ensure business continuity and efficient operations.

¹⁶ A fire report does not get medically billed.

Department Response: Agree. Under the leadership of the new CFO, a succession plan is underway. Discussions with Budget & Evaluation will begin with the FY25 operating budget process. In addition, the Clerk Typist III and the other Administrative Specialist are being trained in EMS billing processes to ensure proper coverage of duties if the EMS Billing Coordinator is out of the office.

III. Conclusion

The audit revealed several opportunities for improvement over EMS billing operations. For example, IA found management review and contract oversight needs improvement, and the billing rates have not been reassessed by the City since 2013. Additionally, IA found the performance of the collection agency is not measured or evaluated, and the City Treasurer is not involved with the write-off process.

To improve performance over the EMS billing operations, IA recommends providing additional management review and oversight to ensure contract terms are enforced, reassess the billing rates, monitor the collection efforts, and ensure the City Treasurer is involved with the write-off process. Implementing these recommendations will improve internal controls over the EMS billing process.

IV. Cincinnati Fire Department Response

Recommendation 1: Provide additional management review and oversight to ensure contract terms are enforced.

Department Response: Agree. Cincinnati Fire Department's Division of Finance and Division of Fire Operations agree that prior to hiring the new CFO, CFD management did not maintain oversight of the contract terms. However, under the leadership of the new CFO, the Division of Finance has been empowered by the new Fire Chief to oversee all CFD contracts. The new CFO has begun overseeing the contract terms and has been working with Change Healthcare/Optum's liaison to ensure reports, backup documentation, and all transport information are submitted in accordance with the contract terms. Monthly meetings have also been re-established with Change Healthcare/Optum.

Recommendation 2: Reassess the billing rates with the Budget Office to ensure the fees are appropriate.

Department Response: Agree/Completed. Cincinnati Fire Department's Division of Finance, under the new CFO, began reviewing the Department's fee schedules in June 2023, prior to the beginning of this audit, and has worked with the Command Staff, Fire Leadership, and Change Healthcare to assess EMS billing rate adjustments, as well as our other service fees. We are scheduled to provide a comprehensive fee schedule to the City Manager's Office and Budget & Evaluation for the FY25 budget cycle. CFD will continue to assess billing rates and service fees annually, submitting any changes to the City Manager and/or Council.

Recommendation 3: Calculate and analyze the cost of non-transport when reassessing the billing rates.

Department Response: Agree. Under the new CFO, non-transport will be calculated and analyzed as part of our annual reassessment of EMS billing rates.

Recommendation 4: CFD management should provide additional oversight over the completion of EMT reports.

Department Response: Agree. EMS Operations agrees with additional oversight on completion of reports. The goal is to have an ESO administrator handle this assignment related to report closure, but in the meantime have assigned limited-duty members this task. We now check for open reports daily and immediately contact when this hasn't happened. The Operations Division recommends assigning an ESO project manager, similar in concept to our CQI manager, to oversee the ESO program implementation and management. This is a program that is touched daily, hundreds of times, and is embedded in the work that Operations personnel do. It needs a full-time manager.

Recommendation 5: CFD should continue to monitor the revenue being deposited to ensure both departments receive their payments promptly.

Department's Response: Agree. The Division of Finance agrees that revenue must be monitored more closely so that any revenue belonging to the Fire Department is reclaimed in a timely manner from other departments.

Recommendation 6: Monitor the collection efforts.

Department Response: Agree. CFD Command Staff made changes to how collections were handled in the past. Now that the CFO is empowered to handle the department's financial operations, collections will be evaluated and the use of additional collection agencies, as described in the Change Healthcare contract, will be re-evaluated. We have also established internal procedures for involving the City Treasurer in the write-off process by submitting the write-offs report to the Treasurer.

Recommendation 7: Ensure the City Treasurer is involved with the write-off process for EMS accounts.

Department Response: Agree. Fire's Division of Finance has established internal procedures for involving the City Treasurer in the write-off process by submitting the write-offs report from Change/Optum to the Treasurer.

Recommendation 8: Create a policy and a procedural manual for CFD Finance employees.

Department Response: Agree/Completed. Under the leadership of the new CFO, all financial processes have established, written policies and procedures, as of September 2023, in accordance with best accounting and administrative practices.

Recommendation 9: Update the SOPs for the administrative specialist position and the operations manual used by the EMTs.

Department Response: Agree/Completed. Under the leadership of the new CFO, the SOPs for the EMS Billing Coordinator (administrative specialist) were updated September 2023 with the current processes clearly documented. Operations will re-emphasize and update the Operations Manual specifically stating that all reports must be closed by the end of shift and citing the ORC as its reference. Although this procedure has been in effect, it will be highlighted in multiple ways.

Recommendation 10: Implement an adequate succession plan for all CFD personnel to ensure business continuity and efficient operations.

Department Response: Agree. Under the leadership of the new CFO, a succession plan is underway. Discussions with Budget & Evaluation will begin with the FY25 operating budget process. In addition, the Clerk Typist III and the other Administrative Specialist are being trained in EMS billing processes to ensure proper coverage of duties if the EMS Billing Coordinator is out of the office.